

## Message Text

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PAGE 01 BUENOS 05123 121830Z  
ACTION ARA-14

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01  
CIAE-00 COME-00 EPG-02 DODE-00 EB-07 FPC-01 H-01  
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04  
USIA-06 OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-07  
/104 W

-----024174 122308Z /65

R 121559Z JUL 77  
FM AMEMBASSY BUENOS AIRES  
TO SECSTATE WASHDC 1308  
INFO AMEMBASSY LA PAZ

LIMITED OFFICIAL USE BUENOS AIRES 5123

E.O. 11652: N/A  
TAGS: ENRG, EINV, AR  
SUBJECT: AMOCO SUSPENDS DRILLING OPERATIONS IN ARGENTINA

1. LOCAL PRESS OF JULY 11 CARRIED SUMMARY OF AN INTERNAL AMOCO MEMORANDUM ADVISING ITS STAFF THAT IT HAD DECIDED TO SUSPEND DRILLING OPERATIONS IN ARGENTINA BECAUSE YPF HAD REDUCED ITS PAYMENT IN MAY FOR AMOCO'S PRODUCTION SERVICES TO \$12 - 14 DOLLARS PER CUBIC METER. YPF, IN FULFILLMENT OF AGREEMENT SIGNED WITH AMOCO ON DECEMBER 24, 1976, HAD BEEN PAYING AMOCO 18-19 DOLLARS PER CUBIC METER DURING THE JANUARY-APRIL PERIOD AND AMOCO HAD BEEN PROCEEDING TO DRILL TO EXPAND PRODUCTION.

2. LOCAL AMOCO PRESIDENT CONFIRMED THE PRESS REPORT IN CONVERSATION WITH EMBOFF. HE SAID THAT YPF, MINISTER OF ECONOMY MARTINEZ DE HOZ, AND HIGH LEVEL OFFICIALS IN THE SECRETARIAT OF ENERGY ALL WANT TO PAY AMOCO THE PRICE AGREED UPON IN THE DECEMBER CONTRACT, BUT THE CONTRACT HAS NOT BEEN OFFICIALLY APPROVED BY DECREE. THE CONTRACT HAS BEEN STALLED IN THE PRESIDENT'S SECRETARIAT FOR MANY  
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PAGE 02 BUENOS 05123 121830Z

MONTHS AND, AS IN ALL RECENT MATTERS INVOLVING PETROLEUM, APPEARS TO HAVE ENCOUNTERED SUBSTANTIAL OPPOSITION FROM NATIONALIST ELEMENTS. SINCE THERE IS A CHANCE THAT THE CONTRACT MAY NOT BE APPROVED, YPF THEREFORE REPORTEDLY FELT IT HAD NO ALTERNATIVE BUT TO REDUCE PAYMENTS TO AMOCO TO THE RATE EXISTING BEFORE THE CONTRACT. AMOCO'S PRESIDENT SAID THAT IT MIGHT TAKE THE PERSONAL INTER-

VENTION OF MINISTER OF ECONOMY MARTINEZ DE HOZ WITH THE PRESIDENT TO BREAK THE LOG-JAM. IN THE MEANTIME, AMOCO IS CONTINUING TO PRODUCE OIL FROM EXISTING WELLS BUT PRODUCTION WILL FALL UNLESS NEW HOLES ARE DRILLED.

3. COMMENT: AMOCO'S LATEST PROBLEM IS MERELY ONE MORE EXAMPLE OF THE ABILITY OF NATIONALIST, STATIST ELEMENTS IN ARGENTINA TO BLOCK OR POSTPONE IMPLEMENTATION OF THE GOA'S PRO-PRIVATE (BOTH LOCAL AND FOREIGN) SECTOR POLICIES. THE PETROLEUM SECTOR IS A PARTICULARLY SENSITIVE AREA, WITH MANY ARGENTINES GENUINELY FEELING THAT IT IS A NATIONAL PATRIMONY WHICH MUST BE CAREFULLY PROTECTED AT ALL COSTS. ALL INDICATIONS TO DATE ARE THAT PRESIDENT VIDELA AND THE ECONOMIC TEAM ARE WELL AWARE OF THE POLITICAL DANGERS OF IMPLEMENTING FREE MARKET, PRO-PRIVATE SECTOR POLICIES AND THEREFORE ARE PURSUING THEM SLOWLY IN THE HOPE OPPONENTS WILL BE "EDUCATED."  
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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Disposition Approved on Date:**  
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**Disposition Date:** 22 May 2009  
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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Review Markings:**  
Margaret P. Grafeld  
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